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ABSTRACT

The 1988-89 California budget and a description of provisions for postsecondary education are reported. The 1988 Budget Act was signed into law for the 1988-89 fiscal year. Its average increase in overall general fund expenditures over 1987-88 is 6.9%. State general fund expenditures for postsecondary education increased by just over 4% in the budget. An overview of the total budget is provided, and the budgets for each of the segments and agencies of postsecondary education are highlighted (for the University of California, California State University, California Community Colleges, Hastings College of the Law, California Maritime Academy, and California Student Aid Commission). Other topics of discussion are overall funding levels in the 1988 Budget Act, reasons for the budget reductions, and funding levels for public segments and the Student Aid Commission. The state's 1988-89 budget for higher education contains the smallest increases in state funding since the budgets in the recession years of the early 1980s. Many important initiatives in higher education are not funded in the current budget and must await later action. It is noted that if this year's revenue shortfall recurs next year, the effects on state-funded services could be substantial. (SM)

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STAFF REPORT SERIES

APPROPRIATIONS IN THE 1988-89 STATE BUDGET FOR THE PUBLIC SEGMENTS OF HIGHER EDUCATION

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

HE 022 134

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Summary

In this report, Kevin Gerard Woolfork of the Commission staff analyzes the 1988-89 budget for the State of California and describes its provisions for postsecondary education. On pages 2-4, he provides an overview of the total budget, and on subsequent pages, he highlights the budgets for each of the segments and agencies of postsecondary education, as follows:

University of California	Pages 5-6
The California State University	7-8
California Community Colleges	9-10
Hastings College of the Law	11
California Maritime Academy	11
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On page 13, Mr. Woolfork concludes that "Many important initiatives in higher education are not funded in the current budget and must await later action" and "the General Fund budget for higher education will need a substantial enhancement in the upcoming 1989-90 fiscal year to maintain the level and quality of postsecondary education that the State is used to." He also notes that if voters approve Proposition 98 -- the "Classroom Instructional Improvement and Accountability Act" -- in November, the State will be forced to shift hundreds of millions of dollars from other programs, including its two public universities, to finance this initiative's mandatory funding provisions for public schools and Community Colleges.

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The Administration and Liaison Committee of the Commission discussed this report at its meeting on September 19, 1988. Staff reports such as this are brought to the Commission for discussion rather than for action, and they represent the interpretation of the staff rather than the formal position of the Commission as expressed in its adopted resolutions and reports containing policy recommendations.

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Appropriations in the 1988-89 State Budget for the Public Segments of Higher Education

ON July 8, Governor George Deukmejian signed the 1988 Budget Act into law for the 1988-89 fiscal year. Its average increase in overall General Fund expenditures over 1987-88 is 6.9 percent. State General Fund expenditures for postsecondary education increased by just over 4 percent in the budget. The percentage increases for the University of California and the California State University are the second lowest in this decade -- 4.5 and 3.9 percent, respectively.

This page highlights the impact of the budget on postsecondary education. Pages 2-4 discuss the budget in general. Pages 5-12 describe in detail funding for the public segments of higher education and the financial aid programs of the California Student Aid Commission. And pages 13-14 summarize the impact of the budget on higher education and consider the benefits to the budget of Governor Deukmejian's signing of three bills passed in the waning hours of the legislative session -- Senate Bill 2172 (Campbell) and Assembly Bills 1725 and 1903 (Vasconcellos).

Highlights of the budget for postsecondary education

The University of California and the California State University

A major concern to both the University of California and California State University is the large unallocated spending reductions contained in their respective budgets. Initially, the University and State University support budgets were to be reduced by 3.3 percent -- $64 million for the University, and $50.7 million for the State University. This unallocated reduction was lowered to approximately 2 percent for both segments by the legislation mentioned above. Both segments are currently developing plans to account for this shortfall. It is likely these plans will include the delaying of purchases of some instructional equipment and the utilization of one-time funding sources to cover some ongoing costs.

The 1988 Budget Act also scales back proposed State employee salary increases, making them effective for only the last month of the 12-month fiscal year. For University faculty, this means receiving a 3 percent increase effective June 1, 1989, and for State University faculty, a 4.7 percent increase effective on the same date. More than $40 million was cut from these two segments' budgets to reduce employee compensation. Lower State salary adjustments was part of the Governor's plan to account for State revenue shortfalls.

California Community Colleges

The final 1988-89 budget contains no funding for reforms recommended for the California Community Colleges, although AB 1725 (Vasconcellos) contains $7.2 million to initiative several reforms. This major piece of legislation implements some recommendations of the Commission for the Review of the Master Plan and the Legislature's Joint Committee for Review of the Master Plan.

California Student Aid Commission

When it was proposed in January, the Student Aid Commission budget contained $18.1 million in new funding for Cal Grant awards, but the final budget has only $8.8 million in new funds. Legislative proposals to increase the number of need-based Cal Grant B awards and to increase the "funded" maximum award in the A and B program to $4,700 were financed in the budget restoration package. The maximum award levels for the two grant programs are equalized at $5,200 in the budget, but sufficient funding is provided only to reach the $4,700 level. Supplemental Report Language in the budget calls on the Student Aid Commission, the Postsecondary Education Commission, and other parties to develop

State policy on the setting and adjusting of maximum grant award levels -- a major policy initiative.

Overall funding levels in the 1988 Budget Act

The 1988-89 State Budget contains $43.9 billion in *total* State expenditures (Special Funds, State Fees, Bond Funds, and General Funds). This is approximately $3 billion more than the estimated level of total State expenditures in the 1987-88 fiscal year, but close to a billion dollars *less* than the level proposed in the Governor's revised budget of early June, 1988.

State General Fund expenditures for 1988-89 (Display 1 below) grew by 6.9 percent over 1987-88. The budget is $163 million under the spending ceiling set by the "Gann Limit" approved by the voters in 1979 as Proposition 4. The new budget's Reserve Fund for Economic Uncertainties is just over $600 million. Governor Deukmejian is committed to restoring this reserve to the $1 billion level during the 1989-90 fiscal year.

In signing the 1988-89 budget, the Governor set aside approximately $350 million in General Funds for the following programs, which had been reduced by the Legislature during the budget process:

State Funding for Trial Courts	$189,665,000
Block Grants to Counties	47,500,000
Corrections	75,900,000
Youth Authority	14,400,000
Los Angeles County settlement	20,000,000
Youthful Offender Parole Board	1,000,000
TOTAL	$348,465,000

To fund this proposal, and to increase the balance of the reserve fund, the Governor line-item vetoed a total of $472 million in legislative programmatic augmentations from the budget. His major vetoes included:

DISPLAY 1 *Summary of State General Fund Revenues and Expenditures in the 1988-89 Budget, in Thousands of Dollars*

	1987-88	1988-89	Percent Change
REVENUES			
Prior Year Balance Available	$ 668,000	$ 37,700	- 94.3%
Revenues and Transfers	32,608,900	36,100,500	+ 10.7
Total Resources Available	$ 33,276,900	$ 36,138,200	+ 8.6
EXPENDITURES			
Expenditures	$ 33,239,200	$ 35,185,700	+ 5.9
Set-asides[1]	--	348,500	--
Final Adjusted Expenditures	$ 33,239,200	$ 35,534,200	+ 6.9
RESERVES (fiscal year ending balances)			
Reserve Fund for Economic Uncertainties	$ 8,900	$ 604,000	--
Carryover Appropriations from 1987 Budget Act	28,800	--	--

1. This is money which the Governor set aside to fund expected deficiencies in the budget by vetoing other proposed expenditures.

Source: Office of the Governor Press Release #499, July 8, 1988.

- $21.3 million for an unallocated reduction to the legislative, judicial, and executive branches of State government;
- $92.5 million for an unallocated reduction for all other general governmental entities (not including the University and State University, which had already received unallocated reductions);
- $191.5 million in health and welfare-related expenditures;
- $24.6 million from the University of California, with $20.0 coming from proposed employee compensation funds;
- $24.6 million from the California State University, with $20.0 coming from proposed employee compensation funds; and
- $11.5 million from the California Community Colleges.

These cuts are in addition to expenditures the Legislature had already removed from the budget bill. Governor Deukmejian restored approximately $30 million to the University, $19 million to the State University and $12 million to other State agencies in SB 2172 (Campbell) and AB 1903 (Vasconcellos). On the last day of the session, the Legislature approved his plan to use the monies he has already set aside in the budget to fund the trial court, corrections, and other programs.

Reasons for the budget reductions

As noted in the June budget update, actual revenues for the 1987-88 fiscal year were more than a billion dollars lower than projections upon which budget expenditures were based, with strong prospects for a similar shortfall in 1988-89. This necessitated a substantial recasting of the 1988-89 State budget in mid-May and again in early June. Governor Deukmejian initially proposed to deal with the shortfall through a combination of budget cuts, tax rate freezes and changes, more positive revenue projections, and lowering the emergency reserve fund level. He later withdrew this plan and elected to reduce the level of expenditures in the budget.

The Legislature sought to approve a balanced budget by adopting the revenue-generating aspects of the Governor's plan, making across-the-board cuts in all State programs and reducing selected budget items by greater amounts. The Governor sought to restore some of the Legislature's cuts and reduce spending in other areas of the budget to bring total expenditures in line with the projected revenues.

Funding levels for the public segments and the Student Aid Commission

Combined State funding for all levels of public education in the State totals $24.7 billion in the 1988-89 budget -- a 6.2 percent increase over 1987-88 funding levels. The State General Fund increase for the K-12 sector of public education is 7.2 percent -- the largest percentage funding increase received by any of the State's education segments. The Student Aid Commission's 1988-89 General Fund budget grows by more than 6.5 percent.

Display 2 on the next page presents percentage increases in 1988-89 State General Funds over those of the past four fiscal years, along with postsecondary education's share of General Fund expenditures over this time. That display shows how significant a departure from past funding patterns is this year's General Fund budget for the University and the State University. While the growth in overall General Fund expenditures continues on a relatively steady pace through 1988-89, and while the proportion of total General Fund expenditures allocated to postsecondary education has remained in the 15 percent range over this five-year period, both segments see their annual rates of General Fund growth reduced from the 10 percent range to approximately 4 percent this year.

The 1988-89 budget appropriates more than $380 million for postsecondary education capital outlay projects. This includes $310 million from a general obligation bond issue (Proposition 78) that must be approved by the voters in November.

Displays 3 through 6 on pages 5-11 compare the 1987-88 and 1988-89 State budgets for public institutions in terms of both support for current operations and capital outlay expenditures, and Display 7 on page 12 shows details about the financial aid programs of the Student Aid Commission.

DISPLAY 2 *Percentage Changes in State General Funds, Comparing General Funds for Public Postsecondary Education and for the General Fund Itself in "Current vs Prior Years" Budgets, 1984-85 over 1983-84 Through 1988-89 over 1987-88, and Postsecondary Education's Share of General Fund Expenditures, 1984-85 Through 1988-89*

	1984-85 Budget Percent Increase Over 1983-84	1985-86 Budget Percent Increase Over 1984-85	1986-87 Budget Percent Increase Over 1985-86	1987-88 Budget Percent Increase Over 1986-87	1988-89 Budget Percent Increase Over 1987-88
California Community Colleges	1.9%	5.1%	7.4%	7.1%	6.6%
University of California[1]	13.4	12.8	9.1	6.2	4.5
The California State University[1]	10.8	9.1	7.7	6.9	3.9
State General Fund	12.4	9.1	7.1	4.1	6.9
	1984-85	1985-86	1986-87	1987-88	1988-89
Postsecondary Education's Share of General Fund Expenditures[2]	14.9%	15.0%	15.7%	16.0%	15.1%

1. For the University and State University, the calculations comparing 1987-88 and 1988-89 General Fund expenditures includes the passage of legislation implementing the Governor's "set-aside" proposal, which increased University funding by $31 million and State University funding by $18.3 million by reducing their unallocated reductions from 3.3 percent to approximately 2 percent.

2. This includes General Fund appropriations for the three public segments and Hastings College of the Law, the California Maritime Academy, the Postsecondary Education Commission, and the Student Aid Commission.

Source: Office of the Governor, Press Release 499, July 8, 1988; Assembly Ways and Means Committee News Release, July 8, 1988; *Governor's Budgets* for various years and other information on AB 1903 (Vasconcellos) and SB 2172 (Campbell).

University of California

The University of California's $1.95 billion General Fund budget is approximately $88 million higher than for 1987-88 -- a 4.5 percent increase. However, this budget is $53 million *lower* than the amount originally proposed by the Governor last January. Of this difference, $30 million is the 2 percent unallocated reduction of General Funds that was reduced from the 3.3 percent, $64 million level mentioned at the beginning for this report.

The University also has a budgetary savings target approaching 4 percent, or $80 million, for 1988-89. This is money expected to remain unspent due to the natural delays that occur in hiring personnel and completing purchases of goods and services.

When taken together, these reductions present the University with a funding shortfall that will necessitate reprioritizations of some expenditures. However, with the budget restoration package approved by the Legislature and signed by the Governor in late September, the severity of the University's operating budget deficeit has been lessened somewhat.

Tentatively, University officials plan to use one-time revenue sources, such as increased nonresident tuition and lottery funds in excess of previous estimates, to partially compensate for the remaining shortfall. They have also stated that they are planning to delay the implementation of all new programs proposed in the budget until greater funding is forthcoming, and they expect to delay the purchases of some instructional equipment and defer plant maintenance in many areas to help account for

DISPLAY 3 University of California Current Operating Support in the 1987 and 1988 Budget Acts and State Capital Outlay Funding for 1988-89, in Thousands of Dollars

	1987-88	1988-89	Percent Change
SUPPORT FOR CURRENT OPERATIONS (Budgeted Programs)			
General Fund[1]	$ 1,896,685	$1,985,222	+4.5%
Fees and Other General Purpose Funds	231,987	253,568	.
Lottery	15,081	15,081	.
Subtotal	$ 2,143,753	$2,253,871	+5.1%
Other Funds	1,565,145	1,636,166	.
TOTAL BUDGETED PROGRAMS	$3,708,898	$3,858,500	+4.9%

	1987-88 Budget Act
CAPITAL OUTLAY	
High Technology Revenue Bonds	$62,400
Higher Education Capital Outlay Bond Fund of 1988	124,300
TOTAL, STATE-SUPPORTED CAPITAL OUTLAY FUNDS	$186,700

Source: The 1988-89 *Governor's Budget* and *May Revision*; Office of the Governor, Press Release 499, July 8, 1988; Assembly Ways and Means Committee News Release, July 8, 1988, information on AB 1903 and SB 2172.

the $64 million in excepted savings.

In addition to the $31 million unallocated reduction and the $21 million veto of salary funds, the following reductions were made to the University's budget:

- All legislative research initiatives, including $500,000 for the Charles Drew Medical School, $50,000 for a center for the study of alternatives to the use of animals in research, $450,000 for forestry range and watershed research, and $1.9 million for research on Alzheimer's disease and geriatrics;
- $1.6 million for 26 new AIDS research projects was vetoed, but later funded as part of the Governor's "set-aside" package; and
- $1 million for additional janitorial services.

Increases in the operating budget

The University's Fall 1988 enrollment includes an additional 2,900 full-time-equivalent undergraduate students, 600 graduate students, and 200 post-baccalaureate students. The costs for faculty, teaching assistants, and related instructional support associated with this additional enrollment is $30 million. Due to its reduced funding, the University is considering reducing its Fall 1989 enrollment to Fall 1987 levels. University enrollment has been growing steadily in recent years, and the system has been under pressure to increase undergraduate enrollment at an even faster rate. A reduction to Fall 1987 levels would mean the enrollment of several thousand fewer full-time-equivalent students than would ordinarily occur.

If the University is able to allocate monies to them, it proposes the following new State initiatives in its 1988-89 budget:

- The establishment of 140 merit-based student research assistantships -- half in the humanities and the other half in engineering and computer sciences -- at a total cost of $1.5 million;
- A $9.2 million increase in State funds for AIDS research; and
- $578,000 for the University/School Cooperative Research Program -- a joint project between the University and the public schools to better apply educational research to the classroom.

The budget plans to fund 1987-88 operating deficits at the University's teaching hospitals up to $8 million. No operating subsidy was provided to these hospitals during the prior fiscal year due to the State's budget shortfall.

The budget contains $6.6 million for a 3 percent increase in faculty salaries, effective June 1, 1989, $3.4 million for a non-faculty salary increase of 6 percent also effective on June 1, and $14 million for other compensation package benefits. The salary increases were initially scheduled to be effective on January 1, 1989, but this item was reduced by more than $20 million by the Governor because of the revenue situation. The budget contains $35 million to cover the continuation costs of the salary increases granted in the middle of the last fiscal year.

Capital outlay

The University's 1988-89 capital outlay budget contains a total of $186 million. Of this total, $124 million comes from the anticipated passage of a General Obligation bond issue this fall, and $62 million is provided from revenue bonds. Of the capital funding, $49 million will be spent on modernization and efficiency projects at the University's three teaching hospitals that are experiencing operating deficits.

The California State University

At $1.79 billion, the 1988-89 budget for the California State University is almost $68 million (3.9 percent) higher than the estimated level of expenditures in 1987-88. The budget contains an unallocated reduction of $30 million, or 2.1 percent. This cut was lowered from $50 million by the budget restoration compromise. The budget reduces funding for faculty and non-faculty salaries by $21 million, making all salary increases effective on June 1, 1989 -- 11 months into the fiscal year.

The State University faces the same dilemma as does the University on how to plan for Fall 1989 enrollments with much less money to cover its current costs than it had initially planned on.

In addition to the unallocated reduction and salary cuts, the following programs were deleted from the State University's budget:

- $1.3 million for enrollment and support costs associated with the San Diego and Fullerton off-campus centers;
- $1 million to increase the average Educational Opportunity Program grant from its current level of $750 up to $835; and
- $925,000 for several legislative initiatives, including a joint research effort between California State University, Fresno, and Ben Gurion University of the Negev.

DISPLAY 4 California State University Current Operating Support in the 1987 and 1988 Budget Acts and 1988-89 Capital Outlay Funding, in Thousands of Dollars

	1987-88	1988-89	Percent Change
SUPPORT FOR CURRENT OPERATIONS			
General Fund [1]	$ 1,743,329	$ 1,811,116	+3.9%
Lottery	22,502	22,502	-
Subtotal	$ 1,765,831	$ 1,833,618	+3.8%
Other Funds	437,647	464,132	-
TOTAL, PROGRAMS	$ 2,203,478	$ 2,297,750	+4.3%

	1987-88 Budget Act
CAPITAL OUTLAY	
Higher Education Capital Outlay Bond Fund of 1988	$ 116,279
Higher Education Capital Outlay Bond Fund of 1986	2,324
Statewide Matching Funds for Federal Schools & Hospital Grants	500
Energy Revenue Bonds	3,174
TOTAL, STATE-SUPPORTED CAPITAL OUTLAY FUNDS	$122,277

1. For the State University, most student fee revenues are counted as State General Funds.

Source: The 1988-89 *Governor's Budget* and *May Revision*; Office of the Governor, Press Release 499, July 8, 1988; Assembly Ways and Means Committee News Release, July 8, 1988, information on SB 2172 and AB 1903.

Increases in the operating budget

The State University's 1988-89 budget provides a net increase of $4.8 million for program changes, with $2.5 million of this going to fund a program of faculty research, scholarship, and creative activity. It also includes an additional $500,000 for faculty recruitment, specifically for search and relocation expenses.

In addition, the 1988-89 budget contains $25.5 million for an enrollment increase of 7,345 full-time-equivalent (FTE) students over the amount budgeted for 1987-88, bringing its total FTE enrollment to more than 261,000 students.

The budget also contains $750,000 for the following intersegmental programs:

- $200,000 in additional funding for the California Articulation Number (CAN) project -- a joint effort with the University of California to assist students and counselors identify transferable courses common to the Community Colleges, the University, and the State University;
- $200,000 to expand the New Teacher Retention program -- a joint effort with the State Department of Education to provide first-year teachers in selected urban schools with a reduced teaching load and additional support services from State University faculty and school district mentor teachers;
- $350,000 to establish three new Comprehensive Teacher Institutes in cooperation with the State Department of Education; and
- $250,000 for the Minority Engineering Program -- a project that provides retention and support services for minority engineering students.

Capital outlay

Total capital outlay funding for the State University is $122 million, virtually all of which is scheduled to come from the Higher Education Facilities Bond Act of 1988, to be decided upon by the State's voters this November. Funding was approved in the final budget for three off-campus center facilities -- at Contra Costa, Ventura, and North San Diego County.

California Community Colleges

The 1988-89 operations budget for the California Community Colleges contains the most substantial funding increases in public higher education for this year. The $1.39 billion General Fund budget represents a $60 million increase, or 6.6 percent, over the prior year's funding level. It provides $88.2 million for a 4.7 percent general apportionment cost-of-living adjustment (COLA) and more than $8 million for equalization of low-revenue districts. It also provides $32.9 million in average daily attendance (ADA) growth funding for population changes -- a growth rate of 2.33 percent.

Other highlights of the Community Colleges' 1988-89 operating budget include:

- $20.9 for second-year full funding for the Community Colleges' matriculation program of student assessment, counseling placement, and follow-up;
- $35 million for instructional equipment replacement, with $23 million of this coming from the November bond act;
- $15 million, for a second year, of funding deferred maintenance and special repairs on a 1:1 matching basis with the districts;
- $5 million for growth in average daily attendance (ADA) above the enrollment cap for enrollment in basic skill courses; and
- $2.6 million for a full-year cost-of-living allowance of 4.7 percent in Educational Opportunity Programs and Services, Disabled Student Programs and Services and the Puente Project; and
- $13.4 million for full-year funding for the Board Financial Aid Program (BFAP) -- a program for students who cannot pay the enrollment fee.

DISPLAY 5 California Community Colleges Support for Current Operations in the 1987 and 1988 Budget Acts and Capital Outlay Funds for 1988-89, in Thousands of Dollars

	1987-88	1988-89	Percent Change
SUPPORT FOR CURRENT OPERATIONS			
General Fund	$ 1,312,366	$ 1,388,896	+5.8%
Local Revenue	604,817	659,900	+8.0
Lottery	72,445	72,445	-
State School Funds[1]	2,516	2,516	-
TOTAL	$ 1,992,144	$ 2,123,757	+6.6%

	1987-88 Budget Act
CAPITAL OUTLAY	
Higher Education Capital Outlay Bond Fund of 1988	$ 66,000
District Funds	3,489
TOTAL CAPITAL OUTLAY FUNDS	$69,489

1. Federal Mineral Revenues, in lieu of property taxes.

Source: The 1988-89 *Governor's Budget* and *May Revision*; Office of the Governor, Press Release 499, July 8, 1988; Assembly Ways and Means Committee News Release, July 8, 1988.

The budget contains $455,000 for the development of a "2+2+2" program, designed to expand pathways to the baccalaureate degree, particularly for students who are involved in vocational education. It also provides $220,000 for creating the "Middle College" program that will offer college-level courses and support services for high dropout-risk secondary school students. Both of these programs were approved by the Intersegmental Budget Committee.

Separate from the budget, the Governor signed into law AB 1725 (Vasconcellos) -- the Community College Reform Bill -- which contains $7.25 million for changes recommended by the Commission for the Review of the Master Plan and the Legislature's Joint Committee for Review of the Master Plan and authorizes the implementation of many other reforms to the Community College system.

Unfunded programs

In signing the final budget, Governor Deukmejian eliminated the following legislative augmentations:

- $2 million for a new Management Information System for the Community Colleges. In May, the Governor had proposed allowing the Community Colleges to spend up to $7 million of instructional equipment funds for this purpose. The Legislature rejected this approach in favor of an augmentation, which the Governor deleted.
- $2.3 million for additional financial aid counselors on Community College campuses. Initially, the Chancellor's Office had requested $10 million for these services. This was rejected by the Department of Finance, but the Legislature added funding at the lower level.
- And $5 million in "ADA Stabilization" funding for Community College districts that have suffered enrollment declines in the prior fiscal year. Two out of the prior three budget acts had included funding for this purpose.

Capital outlay

The Community Colleges capital outlay program is funded at approximately $70 million in the 1988-89 budget, $20 million more than was initially proposed in the budget in January. The final budget also includes $15 million for hazardous substances removal. As is the case with the University and State University, this capital outlay funding will depend on the passage of a general obligation bond issue this fall by the voters.

Other Public Institutions

Hastings College of the Law

Hastings College of the Law receives more than $12 million in General Funds in the 1988-89 budget. Hastings' unallocated reduction totals $150,000. The budget includes the continuation of the reduction in size of the entering class by 50 students for Fall 1988 in order to comply with American Bar Association standards and reduce overall enrollment to 1,200 students by Fall, 1990.

California Maritime Academy

The California Maritime Academy receives a total of $9 million in the 1988 Budget Act, $6.4 million of this in State General Funds (Display 6 below). The Academy's unallocated reduction of $100,000 will prevent it from redecking its main pier during the current year. The Academy will also defer the purchase of selected instructional equipment.

DISPLAY 6 Total State Funding for Hastings College of the Law and the California Maritime Academy in the 1987 and 1988 Budget Acts, in Thousands of Dollars

	1987-88	1988-89	Percent Change
HASTINGS COLLEGE OF THE LAW			
General Fund	$ 11,861	$ 12,051	+1.6%
Lottery Funds	151	151	-
TOTAL	$ 12,012	$ 12,202	+1.6%
CALIFORNIA MARITIME ACADEMY			
General Fund	$ 6,283	$6,376	+1.5%
Lottery Funds	55	55	-
TOTAL	$ 6,338	$ 6,431	+1.5%

Source: The 1988-89 *Governor's Budget* and *May Revision*; Office of the Governor, Press Release 499, July 8, 1988; Assembly Ways and Means Committee News Release, July 8, 1988.

California Student Aid Commission

The 1988-89 State budget proposed in January for the Student Aid Commission contained $18 million for increases in both the level and number of Cal Grant A and B awards. The July version of this budget contained only $4.7 million in new funds for a 4.5 percent subsistence increases in those two awards programs and no new awards in them. The AB 1903-SB 2172 restoration package, however, contained major improvements for student financial aid in California. It appropriated an additional $4 million to the Student Aid Commission to add 1,500 new Cal Grant B awards and to increase the maximum award in the Cal Grant A and B programs to approximately $4,700.

An important policy change in the budget is the equalizing of grant award levels for the A and B programs. Both are set at $5,200 in the budget act, but the budget does not include sufficient funding to raise the grants to that level. The budget also directs the Student Aid Commission, in conjunction with the Postsecondary Education Commission and others, to formulate State policy on the development of maximum award levels for the two programs.

The budget increases funding for the Student Opportunity and Access Program (Cal-SOAP) to $587,000 in 1988-89. Cal-SOAP provides academic support to 1,200 low-income and ethnic minority seventh- and eighth-grade students and is designed to increase their chances of success in postsecondary education by the enhancement of their academic skills. The budget also includes $1.6 million for the Financial Aid Processing System (FAPS), to increase the efficiency of student loan processing at the Student Aid Commission.

DISPLAY 7 *1987 and 1988 Budget Acts for the California Student Aid Commission, in Thousands of Dollars, and the Number of Awards Granted in 1987-88 and 1988-89, Along with Total Funding for the Grant Programs in Thousands of Dollars*

OPERATIONS BUDGET	1987-88	1988-89	Percent Change
General Fund	$ 125,804	$ 134,227	+6.6%
Federal Funds	33,194	25,263	-23.9
Guaranteed Loan Reserve Fund	162,358	163,668	-0.8
TOTAL BUDGET	$321,356	$323,158	+0.6%

NUMBER OF AWARDS	1987-88	1988-89	1988-89 Funding
Cal Grant A	42,741	42,741	$87,133
Cal Grant B	24,750	24,750	39,129
Cal Grant C	2,307	2,307	3,131

Source: The 1988-89 *Governor's Budget* and *May Revision*; Office of the Governor, Press Release 499, July 8, 1988; Assembly Ways and Means Committee News Release, July 8, 1988.

Summary

In the 1987-88 fiscal year, California experienced a $1 billion tax revenue shortfall. As a result, the State's 1988-89 budget for higher education contains the smallest increases in State funding since the budgets in the recession years of the early 1980s. The final 1988-89 General Fund budget for postsecondary education is more than $80 million lower than the "May Revise" level and $150 million *lower* than originally proposed by the Governor in January. Many important initiatives in higher education are not funded in the current budget and must await later action.

Moreover, the 1988-89 State budget for higher education is not yet settled. If voters approve Proposition 98 – the "Classroom Instructional Improvement and Accountability Act" – in November, the State will be forced to shift hundreds of millions of dollars from other programs, including its public universities, to finance this initiative's mandatory funding provisions for public schools and Community Colleges.

The 2 percent unallocated reductions made to the University and State University budgets could have the effect of underfunding even the base budgets of these segments. Both the University and the State University may find it difficult to maintain even current levels of enrollment in the Fall of 1989 if the present funding situation remains. As noted earlier, the University is already planning to scale back its future enrollments if increased funding is not forthcoming.

The June 1, 1988, faculty salary increase in the budget will most certainly leave a large disparity when the Commission does its calculations of faculty salaries at the University and State University faculty comparison institutions later this Fall. As for the entire State, the costs of continuing the 1988-89 salary increase into the 1989-90 fiscal year will be very costly and leave few funds available for salary increases during the 1989-90 fiscal year.

The Governor's approval of the Campbell and Vasconcellos bills has improved the outlook for California postsecondary education. Even with this infusion of funds, however, the General Fund budget for higher education will need a substantial enhancement in the upcoming 1989-90 fiscal year to maintain the level and quality of postsecondary education that the State is used to. The University and State University have deficiencies in their budgets that will necessitate difficult internal spending decisions.

The funding of Community College reform -- even at the rather low level of $7.2 million – will be an important step toward addressing the concerns raised by the many bodies that have studied the colleges over the past four years. The increase in the number of Cal Grant B awards and increases in the maximum grants for both the A and B programs will be significant in light of the tremendous demand for these types of student financial aid. Nonetheless, the State's student financial aid programs lost almost $10 million in proposed funding during the course of budget deliberations. With increased student reliance on costly borrowing and decreased federal grant aid, the current number of Cal Grant A and B grants serve a smaller and smaller percentage of the prospective eligible clientele.

If this year's revenue shortfall recurs in 1988-89, the effects on State-funded services could be substantial. The costs of maintaining existing public services now accounts for the vast majority of the growth in State expenditures, and many current programs are mandated by statute to receive cost-of-living adjustments or funding increases in relation to their workloads. New initiatives therefore have a tough time competing with existing programs for funding. Since most public higher education expenditures do not fall under the protection of such statutory mandates, their new initiatives -- and perhaps some existing programs -- may be in jeopardy relative to some other areas of State government.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature.

Members of the Commission

The Commission consists of 15 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. The other six represent the major segments of postsecondary education in California.

As of January 1988, the Commissioners representing the general public are:

Mim Andelson, Los Angeles
C. Thomas Dean, Long Beach, *Chairperson*
Henry Der, San Francisco
Seymour M. Farber, M.D., San Francisco
Helen Z. Hansen, Long Beach
Lowell J. Paige, El Macero
Cruz Reynoso, Los Angeles, *Vice Chairperson*
Sharon N. Skog, Palo Alto
Stephen P. Teale, M.D., Modesto

Representatives of the segments are:

Yori Wada, San Francisco, appointed by the Regents of the University of California

William D. Campbell, Carlsbad, appointed by the Trustees of the California State University

Borgny Baird, Long Beach, appointed by the Board of Governors of the California Community Colleges

Harry Wugalter, Thousand Oaks; appointed by the Council for Private Postsecondary Educational Institutions

Kenneth L. Peters, Tarzana, appointed by the California State Board of Education

James B. Jamieson, San Luis Obispo; appointed by California's independent colleges and universities

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including Community Colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory planning and coordinating body, the Commission does not administer or govern any institutions, nor does it approve, authorize, or accredit any of them. Instead, it cooperates with other State agencies and non-governmental groups that perform these functions, while operating as an independent board with its own staff and its own specific duties of evaluation, coordination, and planning.

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, the Commission's meetings are open to the public. Requests to address the Commission may be made by writing the Commission in advance or by submitting a request prior to the start of a meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its interim executive director, Kenneth B. O'Brien, who is appointed by the Commission.

The Commission publishes and distributes without charge some 40 to 50 reports each year on major issues confronting California postsecondary education. Recent reports are listed on the back cover.

Further information about the Commission, its meetings, its staff, and its publications may be obtained from the Commission offices at 1020 Twelfth Street, Third Floor, Sacramento, CA 98514; telephone (916) 445-7933.

APPROPRIATIONS IN THE 1988-89 STATE BUDGET FOR THE PUBLIC SEGMENTS OF HIGHER EDUCATION

California Postsecondary Education Commission Report 88-33

ONE of a series of reports published by the Commission as part of its planning and coordinating responsibilities. Additional copies may be obtained without charge from the Publications Office, California Postsecondary Education Commission, Third Floor, 1020 Twelfth Street, Sacramento, California 95814-3985.

Recent reports of the Commission include:

88-15 Update of Community College Transfer Student Statistics Fall 1987: University of California, The California State University, and California's Independent Colleges and Universities (March 1988)

88-16 Legislative Update, March 1988: A Staff Report to the California Postsecondary Education Commission (March 1988)

88-17 State Policy for Faculty Development in California Public Higher Education: A Report to the Governor and Legislature in Response to Supplemental Language in the 1986 Budget Act (May 1988)

88-18 to 20 Exploring Faculty Development in California Higher Education: Prepared for the California Postsecondary Education Commission by Berman, Weiler Associates:

88-18 Volume One: Executive Summary and Conclusions, by Paul Berman and Daniel Weiler, December 1987 (March 1988)

88-19 Volume Two: Findings, by Paul Berman, Jo-Ann Intili and Daniel Weiler, December 1987 (March 1988)

88-20 Volume Three: Appendix, by Paul Berman, Jo-Ann Intili, and Daniel Weiler, January 1988 (March 1988)

88-21 Staff Development in California's Public Schools: Recommendations of the Policy Development Committee for the California Staff Development Policy Study, March 16, 1988 (March 1988)

88-22 and 23 Staff Development in California: Public and Personal Investments, Program Patterns, and Policy Choices, by Judith Warren Little, William H. Gerritz, David S. Stern, James W. Guthrie, Michael W. Kirst, and David D. Marsh. A Joint Publication of Far West Laboratory for Educational Research and Development • Policy Analysis for California Education (PACE), December 1987:

88-22 Executive Summary (March 1988)

88-23 Report (March 1988)

88-24 Status Report on Human Corps Activities: The First in a Series of Five Annual Reports to the Legislature in Response to Assembly Bill 1820 (Chapter 1245, Statutes of 1987) (May 1988)

88-25 Proposed Construction of the Petaluma Center of Santa Rosa Junior College: A Report to the Governor and Legislature in Response to a Request for Capital Funds for Permanent Off-Campus Center in Southern Sonoma County (May 1988)

88-26 California College-Going Rates, 1987 Update: The Eleventh in a Series of Reports on New Freshman Enrollments at California's Colleges and Universities by Recent Graduates of California High Schools (June 1988)

88-27 Proposed Construction of Off-Campus Community College Centers in Western Riverside County: A Report to the Governor and Legislature in Response to a Request of the Riverside and Mt. San Jacinto Community College Districts for Capital Funds to Build Permanent Off-Campus Centers in Norco and Moreno Valley and South of Sun City (June 1988)

88-28 Annual Report on Program Review Activities, 1986-87: The Twelfth in a Series of Reports to the Legislature and the Governor on Program Review by Commission Staff and California's Public Colleges and Universities (June 1988)

88-29 Diversification of the Faculty and Staff in California Public Postsecondary Education from 1977 to 1987: The Fifth in the Commission's Series of Biennial Reports on Equal Employment Opportunity in California's Public Colleges and Universities (September 1988)

88-30 Supplemental Report on Academic Salaries, 1987-88: A Report to the Governor and Legislature in Response to Senate Concurrent Resolution No. 51 (1965) and Subsequent Postsecondary Salary Legislation (September 1988)

88-31 The Role of the California Postsecondary Education Commission in Achieving Educational Equity in California: The Report of the Commission's Special Committee on Educational Equity, Cruz Reynoso, *Chair* (September 1988)

88-32 A Comprehensive Student Information System, by John G. Harrison: A Report Prepared for the California Postsecondary Education Commission by the Wyndgate Group, Ltd. (September 1988)